

circulation in 1860 amounting to £2,241,471, with current accounts of only £1,855,293. The circulation increased by the spring of 1861 to £3,081,599, of which £1,851,627 was issued by the Bank of Bengal, £1,006,460 by the Bank of Bombay, and £223,512 by the Bank of Madras. Each bank was required to keep in its vaults cash equal to one-fourth of all outstanding demand liabilities. No complaint had been made up to this time of the manner in which these banks conducted their business, but it was thought that a profit might be made by the government out of the issue of notes.<sup>1</sup> The proposition to take the power of issue away from the banks was discussed as early as April 27, 1859, in a despatch from Lord Canning, and was embodied into law in 1861. The record of the banks was less creditable after the loss of the power of note issue. The Bank of Bombay, which had been so carefully conducted for twenty years that its gross losses were computed at only £2,500, obtained a new charter in 1863, sweeping away most of the restrictions on its operations and permitting an increase of the capital by June, 1864, to £2,090,000. Another crash came in 1866, following the news of the failure of Overend, Gurney, and Co., in London, and the Bank of Bombay lost in three years £2,046,898, and was compelled to wind up.\* A new Bank of Bombay was formed, and in May, 1868, the liquidator stated that £1,889,993 of the capital of the old bank had been lost. The great presidency banks are still important factors in the financial affairs of India and usually hold in their reserves from 3,000,000 to 4,000,000 rupees in government notes.

The power to issue notes was withdrawn from the three banks by Act XIX., of 1861, and a paper currency established under government supervision, upon substantially the same basis as that of the issue department of the Bank of England, if entirely separated from the banking department. Some changes were made in the law in 1893, but they were principally such as were required by the suspension of the free coinage of silver. The circulation based

<sup>1</sup> *London Bankers' Magazine* April, 1893, LV., 548.

<sup>2</sup> *Ibid.*, February, 1893, LV., 223-24.